

Staff Summary Report



Council Meeting Date: 1/27/11

Agenda Item Number: 5E4

SUBJECT: Request approval of a resolution to apply for Qualified Energy Conservation Bonds to finance the installation of energy conservation equipment into city buildings and facilities.

DOCUMENT NAME: 20110127cmgk04 ELECTRICAL ENERGY SAVING GOALS (0105-01-04) RESOLUTION NO. 2011.13

COMMENTS: The Arizona Commerce Authority plans to reallocate Qualified Energy Conservation Bonds (QECBs) waived by other jurisdictions for energy retrofit projects which will reduce greenhouse gas emissions. Tempe's Energy Performance contract could be financed with the Qualified Energy Conservation Bonds at a 1.5% interest rate. To be eligible, a resolution approved by Council is required to apply if and when bonds are made available by the Arizona Commerce Authority.

PREPARED BY: Grace DelMonte Kelly, Energy Grants Project Manager, 480-350-8369

REVIEWED BY: Jeff Kulaga, Assistant City Manager, 480-350-8844
Jerry Hart, CPA, Deputy Director – Financial Services, 480-350-8505

LEGAL REVIEW BY: Judi Baumann, Deputy City Attorney, 480-350-8779

DEPARTMENT REVIEW BY: Jeff Kulaga, Assistant City Manager, 480-350-8844

FISCAL NOTE: This would result in interest savings for the municipal energy retrofits. The current interest rate is approximately 4.5% without the federal incentive. If approved with the QECB funds, the City could attain a rate near or below 1.5% to finance the project.

RECOMMENDATION: Approve Resolution No. 2011.13

ADDITIONAL INFO: The purpose of this resolution is to authorize the application of QECB funds. Receipt of the funds would properly position the City of Tempe to meet the Qualified Energy Conservation Bond requirements set forth by the Arizona Commerce Authority. This federal incentive for financing could bring an advantageous lending rate to the city's current energy savings performance contract.

The program manager at the Arizona Commerce Authority stated they will reallocate approximately \$15 million of unused Qualified Energy conservation Bonds in the next month. A portion of the new allocation can be combined with the City's unused allocation of \$1.8 million in QECBs to finance the entire Energy Performance contract project.

The City's Energy Performance contract for municipal retrofits will cost approximately \$8.2 million over 15 years. The utility savings each year will be used to pay the bonds to finance the project. The current interest rate to finance the project is approximately 4.5% without federal incentives. With federal incentivized QECBs, the city could attain an interest rate near or below 1.5%.

This resolution will allow staff to apply for Qualified Energy Conservation bonds to finance the energy retrofit project. Staff recommends approval of this resolution.

NOTE: There are three (3) other agenda items related to this request.